

# **Testimony of James A. Bever, Deputy Assistant Administrator for Asia and the Near East United States Agency for International Development**

## **USAID Contracting in Iraq**

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**Before the Committee for Government Reform  
U.S. House of Representatives**

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Mr. Chairman, members of the Committee, it is an honor to appear before you today. I welcome the opportunity to testify on behalf of the U.S. Agency for International Development (USAID). Today, I would like to describe to the Committee USAID's contribution to the reconstruction of Iraq.

The President's National Strategy for Victory in Iraq lays out a clear path forward in helping Iraq become a stable, and secure democracy in the Middle East and ally in the war on terror. The President's plan focuses on three areas - security, political, and economic. USAID programs support all three tracks of this plan, and in coordination with our partner agencies, we are creating a new Iraq with a constitutional, representative government that is able to harness its economic potential to create jobs and other opportunities for its people and is a functioning and helpful international partner. The fundamental operating principle of this strategy is that transition to Iraqi self-sustainment and responsibility cannot be made without integrated progress on all three tracks.

Since March 2003, USAID has been allocated approximately \$5.1 billion in Iraq Relief and Reconstruction Funds (IRRF). Of this amount, we have disbursed approximately \$4.4 billion. USAID has spent almost \$2.5 billion on infrastructure projects. The majority of individual projects have been completed according to our expectations. I want to reiterate: our successes dwarf our failures, despite what you may hear in the press. I want to summarize some of our accomplishments.

### **Accomplishments**

First, USAID is working with U.S. and multinational units to help cities recover from the effects of fighting and revitalize the local economy. USAID projects are closely coordinated with, and support, Department of Defense CERP projects to ensure maximum effectiveness of resources. These projects consist of a combination of small, rapid activities, followed by more complex projects that operationalize public services, promote representative local government, and help resuscitate the economy. USAID's implementing partners provide the majority of project monitoring with assistance from the military as needed. USAID is continuing this effort through our new Focused Stabilization Office and Community Stabilization Project, which will help Iraq build more peaceful communities by providing more economic opportunities primarily to men ages 17-24 who may be more prone to engage in violent activities.

Second, USAID-managed programs are facilitating democratic transformation in Iraq. USAID worked with the United Nations, the United Kingdom, Canada, and the European Community to support the successful constitutional referendum, in October 2005, and two national elections, in January and December 2005. Our programs have also provided expert assistance, drawing from the international community and Iraqi civil society, to assist the Iraqi Constitutional Drafting Committee. USAID continues to support building the capacity of provincial and city authorities to provide essential services. In the field, assistance teams work with the Provincial Councils to help them shoulder the burden of decentralized power.

Third, on the economic front, USAID has worked with Treasury, and other agencies to help build Iraqi governing capacity, particularly at the Central Bank of Iraq and Ministry of Finance. Our assistance to the Ministry of Finance, through the design and placement of a Financial Management Information System (FMIS) in 95 sites countrywide, is

providing the GOI with the ability to track its budget and expenses. Through increased statistical gathering and analysis provided by the Central Office of Statistics and Technology, USAID is improving Iraq's ability respond and provide assistance to the Iraqis in the most need. USAID provides technical assistance for Iraqi World Trade Organization accession. These efforts have also enabled Iraq to provide quality budget data to the International Monetary Fund (IMF), facilitating the completion of IMF lending agreements and supporting the Paris Club debt rescheduling agreements.

Fourth, USAID projects have added 1,292 megawatts of new or rehabilitated electrical generation capacity to the national grid. To help safeguard these investments, USAID and other agencies are providing limited support to help the Iraqis operate and maintain these systems. In telecommunications, USAID has overseen the installation of 12 domestic switches and one international switch, the restoration of international calling service, and the completion of a consolidated fiber optic network that connects electricity and communications sectors and will allow Ministry of Electricity officials to monitor and control the electrical grid from three central locations, greatly improving the reliability of electric power service to Iraqis.

USAID partners have refurbished or expanded 19 water treatment plants in five cities in Iraq increasing the supply of potable water from USAID projects to over 3.1 million Iraqis. USAID projects have also provided sewage treatment to over 5.1 million people and have provided plant-level operations and maintenance training and support at major potable water and sewage treatment plants nationwide to ensure that these plants continue to function. In addition, USAID's rural water program has installed over 70 small water treatment systems in rural communities of less than 5,000 people throughout Iraq. The rural water program will help to supply clean water to over 400,000 villagers each day.

Fifth, USAID is helping to build a long-term sustainable economy through our agricultural assistance programs. USAID's Agriculture Reconstruction and Development Program for Iraq (ARDI), recognized the critical importance of this sector to the country, is generating real jobs that sustain livelihoods - tens of thousands per week according to employment records in 2006. The program is managed by a small core of expatriate technical advisers and a larger team of 250-300 Iraqis through five offices across the country with less than 8 percent of project funds going towards security.

Through improvements to the canal and water infrastructure, made possible by small-scale grants, 445,000 Iraqi farmers now have improved efficiency of irrigation or access to water on 320,000 acres of farmland. ARDI has also established date palm nurseries in 13 governorates that will expand the true to type palm tree population by 410,000 new trees a year. Throughout the country, ARDI has planted 9,000 olive trees in 16 demonstration plots, which will produce high value oil.

Sixth, other USAID activities are focused on providing a better future for Iraq by investing in the future of the country's children and youth. A demographic youth bulge threatens Iraq's future. In 2004, half of all Iraqis were under the age of 20 years old. Given current population growth rates, the population will double by 2030. Iraq currently has some of the lowest literacy rates and poorest health statistics in the region. USAID's education and health projects have partnered with the United Nations (UN) to improve education and health care for future generations through improving the quality of teaching and the learning environment for schoolchildren and improving the capacity of the Ministry of Health to provide quality essential services nationwide, including vaccinations against infectious diseases such as measles, mumps, rubella, and polio.

## **Our Commitment to Accountability**

USAID remains committed to ensuring that the resources provided by Congress are managed effectively and transparently. Ensuring that these funds are utilized in such a manner only strengthens their impact and improves the chances for success in Iraq. Accountability for Iraq funds is greatly enhanced by the right mix of experienced staff, teamwork, and coordination between agencies. Experienced controllers, contracting officers, and Inspector General staff have been in Iraq since 2003 working with program technical staff, other agency colleagues, and Iraqi counterparts to help ensure program accountability.

We have welcomed and supported the work of the Special Inspector General for Iraq (SIGIR), with whom we work closely. We also work openly and fully with the U.S. Government Accountability Office (GAO).

Accountability starts with a fair and open procurement process. USAID complies with all applicable federal regulations and works closely with our Office of the Inspector General (OIG) to identify and address any weaknesses. USAID's accounting and procurement systems ensure that the responsibility for procurement

authorizations, justifications, and payments are segregated and recorded. A summary audit report on the contract award process found that USAID has generally complied with applicable regulations. Along these lines, a recent GAO report entitled Status of Competition for Iraq Reconstruction Contracts stated that "based on complete data for [October 1, 2003 through March 31, 2006] we found that USAID competitively awarded contract actions for 99 percent of its obligations." In other words, USAID competitively awarded \$2.25 billion of the approximately \$2.27 billion in IRRF II we obligated. We are extremely proud of this fact.

The President's Management Agenda shows USAID with "green light" progress on improvements in financial management. The Iraq Budget and Finance Team received the Administrator's 2005 Management Improvement Award for innovative financial information tracking.

USAID's on-the-ground presence is critical to project oversight. Well-trained, on-site contracting staff and project managers use informed judgment to oversee USAID projects. USAID's project managers are trained through a certification program in acquisition management practices. These personnel, located in Baghdad, regional offices, and Washington, provide the technical oversight of our programs. Throughout this year, USAID personnel have averaged 14 project site visits per week. Our colleagues in the U.S. military have been forthcoming in providing not only security support for our staff, but also assistance in monitoring USAID projects in those areas deemed to be insecure. USAID has also taken proactive measures, such as fraud awareness training for government employees, contractors, and grantees, to reduce the likelihood of undetected fraud, waste, or abuse of funds. OIG audit staff in Baghdad conduct performance audits of USAID programs on a regular basis and often concurrently to enable USAID to identify problem areas early on.

USAID firmly believes that the USG must ensure that its IRRF investments in Iraq are formally accounted, operated, and sustained by the GOI. To this end, USAID participated in an IRMO-led interagency process to develop uniform procedures for the formal transfer and recognition of USG-funded capital assets to the Iraqi Government.

In conclusion, I want to assure you that USAID is taking every measure it can to ensure that U.S. Government resources are used effectively and transparently. The successes that have been achieved to date in Iraq are the tangible results of these efforts. I believe that with Congress' continued support, USAID will be able to make further strides in helping to achieve success in Iraq.

Mr. Chairman, thank you for offering me this opportunity to discuss USAID's role in Iraq with your Committee. I am prepared to answer any questions the Committee may wish to pose. Thank you.